



General Assembly

Substitute Bill No. 1153

January Session, 2001

AN ACT REPEALING THE SALES AND USE TAX ON PATIENT CARE SERVICES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (2) of section 12-407 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (2) "Sale" and "selling" mean and include: (a) Any transfer of title,
4 exchange or barter, conditional or otherwise, in any manner or by any
5 means whatsoever, of tangible personal property for a consideration;
6 (b) any withdrawal, except a withdrawal pursuant to a transaction in
7 foreign or interstate commerce, of tangible personal property from the
8 place where it is located for delivery to a point in this state for the
9 purpose of the transfer of title, exchange or barter, conditional or
10 otherwise, in any manner or by any means whatsoever, of the property
11 for a consideration; (c) the producing, fabricating, processing, printing
12 or imprinting of tangible personal property for a consideration for
13 consumers who furnish either directly or indirectly the materials used
14 in the producing, fabricating, processing, printing or imprinting,
15 including, but not limited to, sign construction, photofinishing,
16 duplicating and photocopying; (d) the furnishing and distributing of
17 tangible personal property for a consideration by social clubs and
18 fraternal organizations to their members or others; (e) the furnishing,
19 preparing, or serving for a consideration of food, meals or drinks; (f) a
20 transaction whereby the possession of property is transferred but the

21 seller retains the title as security for the payment of the price; (g) a
22 transfer for a consideration of the title of tangible personal property
23 which has been produced, fabricated or printed to the special order of
24 the customer, or of any publication, including but not limited to, sign
25 construction, photofinishing, duplicating and photocopying; (h) a
26 transfer for a consideration of the occupancy of any room or rooms in a
27 hotel or lodging house for a period of thirty consecutive calendar days
28 or less; (i) the rendering of certain services for a consideration,
29 exclusive of such services rendered by an employee for the employer,
30 as follows: (A) Computer and data processing services, including, but
31 not limited to, time, programming, code writing, modification of
32 existing programs, feasibility studies and installation and
33 implementation of software programs and systems even where such
34 services are rendered in connection with the development, creation or
35 production of canned or custom software or the license of custom
36 software, and exclusive of services rendered in connection with the
37 creation, development hosting or maintenance of all or part of a web
38 site which is part of the graphical, hypertext portion of the Internet,
39 commonly referred to as the World-Wide Web, (B) credit information
40 and reporting services, (C) services by employment agencies and
41 agencies providing personnel services, (D) private investigation,
42 protection, patrol work, watchman and armored car services, exclusive
43 of services of off-duty police officers and off-duty firefighters, (E)
44 painting and lettering services, (F) photographic studio services, (G)
45 telephone answering services, (H) stenographic services, (I) services to
46 industrial, commercial or income-producing real property, including,
47 but not limited to, such services as management, electrical, plumbing,
48 painting and carpentry and excluding any such services rendered in
49 the voluntary evaluation, prevention, treatment, containment or
50 removal of hazardous waste, as defined in section 22a-115, or other
51 contaminants of air, water or soil, provided income-producing
52 property shall not include property used exclusively for residential
53 purposes in which the owner resides and which contains no more than
54 three dwelling units, or a housing facility for low and moderate
55 income families and persons owned or operated by a nonprofit

56 housing organization, as defined in subsection (29) of section 12-412,
57 (J) business analysis, management, management consulting and public
58 relations services, excluding (i) any environmental consulting services,
59 and (ii) any training services provided by an institution of higher
60 education licensed or accredited by the Board of Governors of Higher
61 Education pursuant to section 10a-34, (K) services providing "piped-in"
62 music to business or professional establishments, (L) flight instruction
63 and chartering services by a certificated air carrier on an aircraft, the
64 use of which for such purposes, but for the provisions of subsection (4)
65 of section 12-410 and subsection (12) of section 12-411, would be
66 deemed a retail sale and a taxable storage or use, respectively, of such
67 aircraft by such carrier, (M) motor vehicle repair services, including
68 any type of repair, painting or replacement related to the body or any
69 of the operating parts of a motor vehicle, (N) motor vehicle parking,
70 including the provision of space, other than metered space, in a lot
71 having thirty or more spaces, excluding (i) space in a seasonal parking
72 lot provided by a person who is exempt from taxation under this
73 chapter pursuant to subsection (1), (5) or (8) of section 12-412, (ii) space
74 in a parking lot owned or leased under the terms of a lease of not less
75 than ten years' duration and operated by an employer for the exclusive
76 use of its employees, (iii) valet parking provided at any airport, and
77 (iv) space in municipally-operated railroad parking facilities in
78 municipalities located within an area of the state designated as a
79 severe nonattainment area for ozone under the federal Clean Air Act,
80 (O) radio or television repair services, (P) furniture reupholstering and
81 repair services, (Q) repair services to any electrical or electronic device,
82 including, but not limited to, equipment used for purposes of
83 refrigeration or air-conditioning, (R) lobbying or consulting services
84 for purposes of representing the interests of a client in relation to the
85 functions of any governmental entity or instrumentality, (S) services of
86 the agent of any person in relation to the sale of any item of tangible
87 personal property for such person, exclusive of the services of a
88 consignee selling works of art, as defined in subsection (b) of section
89 12-376c, or articles of clothing or footwear intended to be worn on or
90 about the human body other than (i) any special clothing or footwear

91 primarily designed for athletic activity or protective use and which is
92 not normally worn except when used for the athletic activity or
93 protective use for which it was designed, and (ii) jewelry, handbags,
94 luggage, umbrellas, wallets, watches and similar items carried on or
95 about the human body but not worn on the body in the manner
96 characteristic of clothing intended for exemption under subdivision
97 (47) of section 12-412, under consignment, exclusive of services
98 provided by an auctioneer, (T) locksmith services, (U) advertising or
99 public relations services, including layout, art direction, graphic
100 design, mechanical preparation or production supervision, not related
101 to the development of media advertising or cooperative direct mail
102 advertising, (V) landscaping and horticulture services, (W) window
103 cleaning services, (X) maintenance services, (Y) janitorial services, (Z)
104 exterminating services, (AA) swimming pool cleaning and
105 maintenance services, (BB) renovation and repair services as set forth
106 in this subparagraph, to other than industrial, commercial or
107 income-producing real property: Paving of any sort, painting or
108 staining, wallpapering, roofing, siding and exterior sheet metal work,
109 (CC) miscellaneous personal services included in industry group 729
110 in the Standard Industrial Classification Manual, United States Office
111 of Management and Budget, 1987 edition, or U.S. industry 532220,
112 812191, 812199 or 812990 in the North American Industrial
113 Classification System United States manual, United States Office of
114 Management and Budget, 1997 edition, exclusive of (i) services
115 rendered by massage therapists licensed pursuant to chapter 384a, and
116 (ii) services rendered by a hypertrichologist licensed pursuant to
117 chapter 388, (DD) any repair or maintenance service to any item of
118 tangible personal property including any contract of warranty or
119 service related to any such item, and (EE) business analysis,
120 management or managing consulting services rendered by a general
121 partner, or an affiliate thereof, to a limited partnership, provided (i)
122 that the general partner, or an affiliate thereof, is compensated for the
123 rendition of such services other than through a distributive share of
124 partnership profits or an annual percentage of partnership capital or
125 assets established in the limited partnership's offering statement, and

126 (ii) the general partner, or an affiliate thereof, offers such services to
127 others, including any other partnership. As used in subparagraph
128 (EE)(i) "an affiliate of a general partner" means an entity which is
129 directly or indirectly owned fifty per cent or more in common with a
130 general partner; [and (FF) notwithstanding the provisions of section
131 12-412, except subsection (87) thereof, patient care services, as defined
132 in subsection (29) of this section by a hospital;] (j) the leasing or rental
133 of tangible personal property of any kind whatsoever, including, but
134 not limited to, motor vehicles, linen or towels, machinery or apparatus,
135 office equipment and data processing equipment, provided for
136 purposes of this subdivision and the application of sales and use tax to
137 contracts of lease or rental of tangible personal property, the leasing or
138 rental of any motion picture film by the owner or operator of a motion
139 picture theater for purposes of display at such theater shall not
140 constitute a sale within the meaning of this subsection; (k) the
141 rendering of telecommunications service, as defined in subsection (26)
142 of this section, for a consideration on or after January 1, 1990, exclusive
143 of any such service rendered by an employee for the employer of such
144 employee, subject to the provisions related to telecommunications
145 service in accordance with section 12-407a; (l) the rendering of
146 community antenna television service, as defined in subsection (27) of
147 this section, for a consideration on or after January 1, 1990, exclusive of
148 any such service rendered by an employee for the employer of such
149 employee; (m) the transfer for consideration of space or the right to use
150 any space for the purpose of storage or mooring of any noncommercial
151 vessel, exclusive of dry or wet storage or mooring of such vessel
152 during the period commencing on the first day of November in any
153 year to and including the thirtieth day of April of the next succeeding
154 year; (n) the sale for consideration of naming rights to any place of
155 amusement, entertainment or recreation within the meaning of
156 subdivision (3) of section 12-540; (o) the transfer for consideration of a
157 prepaid telephone calling service, as defined in subsection (34) of this
158 section, and the recharge of a prepaid telephone calling service,
159 provided, if the sale or recharge of a prepaid telephone calling service
160 does not take place at the retailer's place of business and an item is

161 shipped by the retailer to the customer, the sale or recharge shall be
162 deemed to take place at the customer's shipping address, but, if such
163 sale or recharge does not take place at the retailer's place of business
164 and no item is shipped by the retailer to the customer, the sale or
165 recharge shall be deemed to take place at the customer's billing
166 address or the location associated with the customer's mobile
167 telephone number. Wherever in this chapter reference is made to the
168 sale of tangible personal property or services, it shall be construed to
169 include sales described in this subsection, except as may be specifically
170 provided to the contrary.

171 Sec. 2. Subdivision (1) of section 12-411 of the general statutes is
172 repealed and the following is substituted in lieu thereof:

173 (1) An excise tax is hereby imposed on the storage, acceptance,
174 consumption or any other use in this state of tangible personal
175 property purchased from any retailer for storage, acceptance,
176 consumption or any other use in this state, the acceptance or receipt of
177 any services constituting a sale in accordance with subdivision (2) of
178 section 12-407, purchased from any retailer for consumption or use in
179 this state, or the storage, acceptance, consumption or any other use in
180 this state of tangible personal property which has been manufactured,
181 fabricated, assembled or processed from materials by a person, either
182 within or without this state, for storage, acceptance, consumption or
183 any other use by such person in this state, to be measured by the sales
184 price of materials, at the rate of six per cent of the sales price of such
185 property or services, except, in lieu of said rate of six per cent, (A) at a
186 rate of twelve per cent of the rent paid for occupancy of any room or
187 rooms in a hotel or lodging house for the first period of not exceeding
188 thirty consecutive calendar days, (B) with respect to the storage,
189 acceptance, consumption or use in this state of a motor vehicle
190 purchased from any retailer for storage, acceptance, consumption or
191 use in this state by any individual who is a member of the armed
192 forces of the United States and is on full-time active duty in
193 Connecticut and who is considered, under 50 App USC 574, a resident
194 of another state, or to any such individual and the spouse of such

195 individual at a rate of four and one-half per cent of the sales price of
196 such vehicle, provided such retailer requires and maintains a
197 declaration by such individual, prescribed as to form by the
198 commissioner and bearing notice to the effect that false statements
199 made in such declaration are punishable, or other evidence,
200 satisfactory to the commissioner, concerning the purchaser's state of
201 residence under 50 App USC 574, (C) with respect to the acceptance or
202 receipt in this state of labor that is otherwise taxable under subdivision
203 (c) or (g) of subsection (2) of section 12-407 on existing vessels and
204 repair or maintenance services on vessels occurring on and after July 1,
205 1999, such services shall be exempt from such tax, (D) with respect to
206 the acceptance or receipt in this state of computer and data processing
207 services purchased from any retailer for consumption or use in this
208 state occurring on or after July 1, 1997, and prior to July 1, 1998, at the
209 rate of five per cent of such services, on or after July 1, 1998, and prior
210 to July 1, 1999, at the rate of four per cent of such services, on or after
211 July 1, 1999, and prior to July 1, 2000, at the rate of three per cent of
212 such services, on or after July 1, 2000, and prior to July 1, 2001, at the
213 rate of two per cent of such services, on and after July 1, 2001, and
214 prior to July 1, 2002, at the rate of one per cent of such services and on
215 and after July 1, 2002, such services shall be exempt from such tax, [(E)
216 with respect to the acceptance or receipt in this state of patient care
217 services purchased from any retailer for consumption or use in this
218 state occurring on or after July 1, 1999, at the rate of five and three-
219 fourths per cent, and (F)] and (E) with respect to acceptance of the
220 renovation and repair services of paving of any sort, painting or
221 staining, wallpapering, roofing, siding and exterior sheet metal work,
222 to other than industrial, commercial or income-producing real
223 property, occurring on or after July 1, 1999, and prior to July 1, 2000, at
224 the rate of four per cent, with respect to such sales occurring on or after
225 July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, and on
226 and after July 1, 2001, sales of such renovation and repair services shall
227 be exempt from such tax.

228 Sec. 3. Subdivision (1) of section 12-408 of the general statutes is

229 repealed and the following is substituted in lieu thereof:

230 (1) For the privilege of making any sales, as defined in subdivision
231 (2) of section 12-407, at retail, in this state for a consideration, a tax is
232 hereby imposed on all retailers at the rate of six per cent of the gross
233 receipts of any retailer from the sale of all tangible personal property
234 sold at retail or from the rendering of any services constituting a sale in
235 accordance with subdivision (2) of section 12-407, except, in lieu of said
236 rate of six per cent, (A) at a rate of twelve per cent with respect to each
237 transfer of occupancy, from the total amount of rent received for such
238 occupancy of any room or rooms in a hotel or lodging house for the
239 first period not exceeding thirty consecutive calendar days, (B) with
240 respect to the sale of a motor vehicle to any individual who is a
241 member of the armed forces of the United States and is on full-time
242 active duty in Connecticut and who is considered, under 50 App USC
243 574, a resident of another state, or to any such individual and the
244 spouse thereof, at a rate of four and one-half per cent of the gross
245 receipts of any retailer from such sales, provided such retailer requires
246 and maintains a declaration by such individual, prescribed as to form
247 by the commissioner and bearing notice to the effect that false
248 statements made in such declaration are punishable, or other evidence,
249 satisfactory to the commissioner, concerning the purchaser's state of
250 residence under 50 App USC 574, (C) (i) with respect to the sales of
251 computer and data processing services occurring on or after July 1,
252 1997, and prior to July 1, 1998, at the rate of five per cent, on or after
253 July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or
254 after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent,
255 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per
256 cent, on or after July 1, 2001, and prior to July 1, 2002, at the rate of one
257 per cent and on and after July 1, 2002, such services shall be exempt
258 from such tax, (ii) with respect to sales of Internet access services, on
259 and after July 1, 2001, such services shall be exempt from such tax, (D)
260 with respect to the sales of labor that is otherwise taxable under
261 subdivision (c) or (g) of subsection (2) of section 12-407 on existing
262 vessels and repair or maintenance services on vessels occurring on and

263 after July 1, 1999, such services shall be exempt from such tax, and (E)
264 with respect to sales of the renovation and repair services of paving of
265 any sort, painting or staining, wallpapering, roofing, siding and
266 exterior sheet metal work, to other than industrial, commercial or
267 income-producing real property, occurring on or after July 1, 1999, and
268 prior to July 1, 2000, at the rate of four per cent, with respect to such
269 sales occurring on or after July 1, 2000, but prior to July 1, 2001, at the
270 rate of two per cent, and on and after July 1, 2001, sales of such
271 renovation and repair services shall be exempt from such tax. [, and (F)
272 with respect to patient care services occurring on or after July 1, 1999,
273 at the rate of five and three-fourths per cent.] The rate of tax imposed
274 by this chapter shall be applicable to all retail sales upon the effective
275 date of such rate, except that a new rate which represents an increase
276 in the rate applicable to the sale shall not apply to any sales transaction
277 wherein a binding sales contract without an escalator clause has been
278 entered into prior to the effective date of the new rate and delivery is
279 made within ninety days after the effective date of the new rate. For
280 the purposes of payment of the tax imposed under this section, any
281 retailer of services taxable under subdivision (2)(i) of section 12-407,
282 who computes taxable income, for purposes of taxation under the
283 Internal Revenue Code of 1986, or any subsequent corresponding
284 internal revenue code of the United States, as from time to time
285 amended, on an accounting basis which recognizes only cash or other
286 valuable consideration actually received as income and who is liable
287 for such tax only due to the rendering of such services may make
288 payments related to such tax for the period during which such income
289 is received, without penalty or interest, without regard to when such
290 service is rendered.

291 Sec. 4. Each managed care organization, as defined in section 38a-
292 478 of the general statutes, which is under a Medicaid managed care
293 contract with the state shall amend the contract with each of the acute
294 care hospitals with which it has a contract, effective July 1, 2001, to (1)
295 increase the rates paid for inpatient/outpatient hospital services by
296 any amounts attributable to any increase provided for such services in

297 the act concerning the state budget for the biennium ending June 30,
298 2003, and (2) pass through directly to each such hospital, the full
299 amount of such increase received by the organization from the
300 Department of Social Services.

301 Sec. 5. Subdivision (5) of section 12-412 of the general statutes is
302 repealed and the following is substituted in lieu thereof:

303 (5) Sales of tangible personal property or services to and by
304 nonprofit charitable hospitals in this state, nonprofit nursing homes,
305 nonprofit rest homes and nonprofit residential care homes licensed by
306 the state pursuant to chapter 368v for the exclusive purposes of such
307 institutions. [except any such service transaction as described in
308 subparagraph (FF) of subdivision (i) of subsection (2) of section 12-
309 407.]

310 Sec. 6. This act shall take effect July 1, 2001, and shall be applicable
311 to sales occurring on or after said date.

FIN *Joint Favorable Subst.*